BITOU
MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

BITOU LOCAL MUNICIPALITY

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BITOU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Mu also serves as an agent to Provincial Government in providing Housing to the communit

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bitou Municipality includes the following areas:

Plettenbergbay

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	*Councillor M Booysen*
Deputy Executive Mayor	*Councillor A. B. van Rhyner*
Speaker	*Councillor C.L. Dreyer*
Mayoral Committee Member	*Councillor A.R. Olivier*
Mayoral Committee Member	*Councillor E.E Paulse*

ORDINARY COUNCILLORS

Councillor	*Counicilor N M De Waal*
Councillor	*Councillor L Jonas*
Councillor	*Councillor M M Mbali*
Councillor	*Alderman LL Mvimbi*
Councillor	*Councillor L M Seyisi*
Councillor	*Councillor JJN Stuurman*
Councillor	*Councillor SE Gcabayi*
Councillor	*Councillor JWG Brummer*

ACTING MUNICIPAL MANAGER

Mr A Paulse

ACTING CHIEF FINANCIAL OFFICER

Mr AJ Bredenhann

REGISTERED OFFICE

Sewell Street, Plettenbergbay, 6600
Private Bag X 1002. Plettenbergbay, 6600

AUDITORS

Office of the Auditor General

PRINCIPLE BANKERS

Standard Bank, Plettenbergbay

2011 / 2012

MEMBERS OF THE BITOU LOCAL MUNICIPALITY

WARD		COUNCILLOR
1	Valley/Keurbooms/Cowie/Uplands	*Councillor N M de Waal*
2	Plett South & North	*Councillor C L Dreyer*
3	Qolweni/Bossiesgif/Pinetree/Portion of New Horizons	*Councillor L M Seyisi*
4	Portion of New Horizons/Portion of KwaNokuthula	*Councillor L Jonas*
5	Kwanokuthula	*Councillor M M Mbali*
6	Kwanokuthula	*Councillor S E Gcabayi*
7	Kranshoek/Harkerville/portion of KwaNokuthula	Councillor J J N Stuurman

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 t
79.Therefore , In terms of Section 126 (1) of the Municipal Finance Management Act, I have signed it on
the Municipality.

Mr A Paulse
Acting Municipal Manager

Date

		2012 R	2011 R
2	**NET ASSET RESERVES**		
	Capital Replacement Reserve	-	300 001
	Housing Development Fund	-	1 041 622
	Total Net Assets Reserve and Liabilities	**-**	**1 341 623**
3	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	122 570 577	100 673 515
	Capitalised Lease Liability - At amortised cost	1 068 152	1 932 207
		123 638 729	**102 605 722**
	Current Portion transferred to Current Liabilities	**(9 443 996)**	**(7 851 289)**
	Annuity Loans - At amortised cost	(8 561 831)	(6 722 942)
	Capitalised Lease Liability - At amortised cost	(882 165)	(1 128 347)
	Total Long-term Liabilities - At amortised cost using the effective interest rate metho	**114 194 733**	**94 754 432**

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	22 023 825	17 011 908
Payable within two to five years	83 157 476	64 155 379
Payable after five years	112 451 923	103 727 597
	217 633 224	184 894 884
Less: Future finance obligations	(95 062 647)	(84 221 369)
Present value of annuity obligations	**122 570 577**	**100 673 515**

Development Bank Loans
Various structured loans have been taken up with DBSA, with an original value totalling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal installments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12%

First National Bank

A loan amounting to R3,400,000 has been taken up from First National Bank in the previous financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rate applicable to this loan amounts to 10.56%

Standard Bank

A loan amounting to R 16 580 000 has been taken up from Standard bank in the previous financial year and a new loan amounted to R30 000 000 in the current year. These loans will be paid 6 monthly on a "fixed capital plus interest" basis over a 10 year period with maturity date of 30/06/2021 and 30/06/22 respectively. Interest rates applicable to this loan amounts to 11.26% and 10.71% respectively

A Fixed Deposit of R 4275037, (2011: R3 971 733) has been ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes

The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	934 579	1 273 397
Payable within two to five years	197 254	837 834
Payable after five years	-	-
	1 131 833	2 111 231
Less: Future finance obligations	(63 681)	(179 024)
Present value of lease obligations	**1 068 152**	**1 932 207**

Leases are secured by property, plant and equipment - Note 13

The municipality has entered into a lease agreement with Rentworks Africa Pty (LTD) whereby it leases Telecommunication and Smartrouters from them.The rental period is between 30 and 33 months, starting 1 July 2010. Rental instalments is payable quarterly, amounting to R 271,603.68, excluding VAT per quarter.No escalation is applicable.

		2012 R	2011 R
4	**EMPLOYEE BENEFITS**		
	Post Retirement Benefits - Refer to Note 4.1	46 234 359	37 524 321
	Long Service Awards - Refer to Note 4.2	3 506 357	3 143 301
	Total Non-current Employee Benefit Liabilities	**49 740 716**	**40 667 622**

	2012 R	2011 R
Post Retirement Benefits		
Balance 1 July	38 273 502	28 482 012
Contribution for the year	6 113 020	4 828 423
Expenditure for the year	(677 107)	(579 048)
Actuarial Loss	3 371 736	5 542 118
Total post retirement benefits 30 June	**47 081 151**	**38 273 505**
Less: Transfer of Current Portion - Note 7	(846 792)	(749 184)
Balance 30 June	**46 234 359**	**37 524 321**
Long Service Awards		
Balance 1 July	3 374 648	2 570 523
Contribution for the year	629 939	572 215
Expenditure for the year	(170 020)	(193 694)
Actuarial Loss	36 908	425 604
Total long service 30 June	**3 871 475**	**3 374 648**
Less: Transfer of Current Portion - Note 7	(365 118)	(231 347)
Balance 30 June	**3 506 357**	**3 143 301**
TOTAL NON-CURRENT EMPOLYEE BENEFITS		
Balance 1 July	41 648 150	31 052 536
Contribution for the year	6 742 959	5 400 638
Expenditure for the year	(847 127)	(772 742)
Actuarial Loss	3 408 644	5 967 722
Total employee benefits 30 June	**50 952 626**	**41 648 154**
Less: Transfer of Current Portion - Note 7	(1 211 910)	(980 531)
Balance 30 June	**49 740 716**	**40 667 623**

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	360	376
Continuation members (e.g. Retirees, widows, orphans)	33	30
Total Members	**393**	**406**

	2012 R	2011 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	34 349 523	28 578 326
Continuation members	12 731 628	9 695 176
Total Liability-unfunded	**47 081 151**	**38 273 502**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2 010	2 009 R	2008 R
In-service members	21 234 895		
Continuation members	7 247 119		
Total Liability	**28 482 014**	**-**	**-**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:	2012 %	2011 %
i) Rate of interest		
Discount rate	8.16%	8.79%
Health Care Cost Inflation Rate	7.00%	7.36%
Net Effective Discount Rate	1.08%	1.34%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries for post-retirement.
The SA 85-90 table was used by the actuaries for current employees

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 (males) and 58 (females), which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	47 081 151	38 273 502
Net liability-unfunded	**47 081 151**	**38 273 502**

Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	38 273 502	28 482 014
Total expenses	5 435 913	4 249 370
Current service cost	2 780 882	2 231 944
Interest Cost	3 332 138	2 596 474
Benefits Paid	(677 107)	(579 048)
Actuarial losses	3 371 736	5 542 118
Present value of fund obligation at the end of the year	47 081 151	38 273 502
Less: Transfer of Current Portion - Note 7	(846 792)	(749 184)
Balance 30 June	**46 234 359**	**37 524 318**

Sensitivity Analysis on the Accrued Liability in (R millions

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	34.350	12.732	47.081	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	42.437	14.414	56.851	21%
Health care inflation	-1%	28.068	11.334	39.404	-16%
Post-retirement mortality	-1 year	35.477	13.189	48.666	3%
Average retirement age	-1 year	37.050	12.732	49.781	6%
Withdrawal Rate	-50%	38.511	12.732	51.243	9%

	2012	2011
4.2 Long Service Bonuses		

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses	383	387

Key actuarial assumptions used:	2012 %	2011 %
i) Rate of interest		
Discount rate	6.64%	7,81%

General Salary Inflation (long-term)	5.97%	6.27%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.63%	1.45%

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 871 475	3 374 648
Net liability-unfunded	**3 871 475**	**3 374 648**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Total Liability-unfunded	**2 570 523**	**2 432 297**	**3 012 888**

Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	3 374 648	2 570 523
Total expenses	459 919	378 521
Current service cost	375 164	346 890
Interest Cost	254 775	225 325
Benefits Paid	(170 020)	(193 694)
Actuarial losses	36 908	425 604
Present value of fund obligation at the end of the year	3 871 475	3 374 648
Less: Transfer of Current Portion - Note 7	(365 118)	(231 347)
Balance 30 June	**3 506 357**	**3 143 301**

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions

Assumption	Change	Liability (R)	% change
Central assumptions		3.871	
General salary inflation	1%	4.170	8%
General salary inflation	-1%	3.606	-7%
Average retirement age	-2yrs	3.285	-15%
Average retirement age	2yrs	4.341	12%
Withdrawal rates	-50%	4.709	22%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund has a funding level of 98.1% (30 June 2010 - 100%). Although the funds actuarial valuation has decreased,it is still within the Registar's acceptable range,provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance	471 936	442 950

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance	7 540 539	7 583 812

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance	108 890	205 512
Municipal Councillors Pension Fund		-
	-	-

		2012 R	2011 R
5	**NON-CURRENT PROVISIONS**		
	Provision for Rehabilitation of Landfill-sites	6 587 710	6 274 010
	Provision for Cleaning of Allien Vegetation	594 450	560 745
	Total Non-current Provisions	**7 182 160**	**6 834 755**

	2012 R	2011 R
Landfill Sites		
Balance 1 July	6 274 010	5 929 120
Contribution for the year	313 700	355 133
Expenditure for the year		(10 243)
Total provision 30 June	**6 587 710**	**6 274 010**
Less: Transfer of Current Portion to Current Provisions - Note 8	-	-
Balance 30 June	**6 587 710**	**6 274 010**

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Estimated decommission date	**2014**
Cost of rehablitation	**7 262 950**

	2012 R	2011 R
Clearing of Allien Vegetation		
Balance 1 July	560 745	329 447
Contribution for the year	46 805	619 058
Expenditure for the year	(13 100)	(387 760)
Total provision 30 June	**594 450**	**560 745**

		2012 R	2011 R
6	**CONSUMER DEPOSITS**		
	Electricity and Water	4 476 945	4 281 691
	Total Consumer Deposits	**4 476 945**	**4 281 691**
	Guarantees held in lieu of Electricity and Water Deposits	205 125	205 125

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.
The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

		2012 R	2011 R
7	**CURRENT EMPLOYEE BENEFITS**		
	Current Portion of Post Retirement Benefits - Note 4	846 792	749 184
	Current Portion of Long-Service Provisions - Note 4	365 118	231 347
	Staff Leave	6 656 329	6 680 017
	Bonuses	1 975 176	1 956 777
	Pension fund shortages	1 808 485	1 602 977
	TASK Evaluation	938 392	1 683 603
	Performance Bonuses	1 802 602	1 612 904
	Total Current Employee Benefits	**14 392 894**	**14 516 810**

The movement in current employee benefits are reconciled as follows:

	2012 R	2011 R
Staff Leave		
Balance at beginning of year	6 680 017	5 299 775
Contribution to current portion	1 602 123	1 954 924

Expenditure incurred	(1 625 811)	(574 682)
Balance at end of year	**6 656 329**	**6 680 017**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	1 956 777	1 771 910
Contribution to current portion	3 615 004	3 454 685
Expenditure incurred	(3 596 605)	(3 269 818)
Balance at end of year	**1 975 176**	**1 956 777**

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Pension fund shortages

Balance at beginning of year	1 602 977	1 322 230
Contribution to current portion	205 508	280 747
Balance at end of year	**1 808 485**	**1 602 977**

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%.The provision amounts to the amount that the Fund requested the municipality to pay.Interest on the outstanding portion was added since February 2010.

TASK Evaluation

Balance at beginning of year	1 683 603	938 805
Contribution to current portion		744 798
Expenditure incurred	(745 211)	
Balance at end of year	**938 392**	**1 683 603**

Performance Bonuses

Balance at beginning of year	1 612 904	1 329 431
Contribution to current portion	189 698	1 655 545
Expenditure incurred		(1 372 072)
Balance at end of year	**1 802 602**	**1 612 904**

Performance bonuses are being paid to Municipal Manager, Directors and Employees on Fixed Term Contracts after an evaluation of performance by the council. There is no possibility of reimbursement.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4	-	-
Total Provisions	**-**	**-**

		2012	2011
9	**PAYABLES FROM EXCHANGE TRANSACTIONS**	**R**	**R**
	Trade Payables	12 856 553	46 499 503
	Pre-paid electricity	41 713	63 725
	Other Creditors	2 574 466	1 297 715
	Payments received in advance	4 958 951	4 878 552
	Deposit Minnaar Land	-	5 019 402
	Retentions	251 805	1 193 255
	Total Trade Payables	**20 683 487**	**58 952 152**

Payables are being recognised net of any discounts

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

10	**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**		
	Unspent Grants	40 914 812	33 980 814
	National Government Grants	10 422 560	7 774 446
	Provincial Government Grants	30 492 253	26 206 368
	District Municipality	-	
	Less: Unpaid Grants	280 000	-
	National Government Grants	280 000	-
	Provincial Government Grants	-	-
	Total Conditional Grants and Receipts	**40 634 812**	**33 980 814**

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11	**UNSPENT PUBLIC CONTRIBUTIONS**		
	Sosial responsability	245 673	136 295
	LED Strategy	205 996	400 000
	Upgrade Kwano Sportsfield	3 000 000	1 000 000
	Alien Vegetation (standerd Bank)	194 881	1 446 335
	Total Unspent Public Contributions	**3 646 550**	**2 982 630**

Reconciliation of public contributions

Social Responsability

Opening balance	136 295	136 295
Contributions received	109 378	
Conditions met - Transferred to revenue		
Closing balance	**245 673**	**136 295**

LED Strategy (IDC)

Opening balance	400 000	400 000
Contributions received		
Conditions met - Transferred to revenue	(194 004)	
Closing balance	**205 996**	**400 000**

Upgrade Kwano Sportfield

Opening balance	1 000 000	1 000 000
Contributions received	2 000 000	
Conditions met - Transferred to revenue		
Closing balance	**3 000 000**	**1 000 000**

Alien Vegetation (Std Bank)

Opening balance	1 446 335	1 446 335
Contributions received		
Conditions met - Transferred to revenue	(1 251 454)	
Closing balance	**194 881**	**1 446 335**

Donation towards the erection of a gravestone at the Suikerbult graveyarc

Lipton

Opening balance	-	**-**
Contributions received	20 000	**-**
Conditions met - Transferred to revenue	(20 000)	**-**
Closing balance		
	-	**-**

Donation towards buying sea rescue equipment

12 TAXES

12.1 VAT PAYABLE

VAT Payable	(2 345 377)	
Total Vat payable	**(2 345 377)**	**-**

12.2 VAT RECEIVABLE

VAT input in suspense		10 438 207
Total VAT receivable	**-**	**10 438 207**

12.3 NET VAT RECEIVABLE/(PAYABLE)

	(2 345 377)	**10 438 207**

VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

		2012	2011
13	**Assets pledged as security:**		
	All the assets which are obtained by financial leases are pledged as security.		
	Impairment of property,plant and equipment for the year		
	Impairment charges on Property, Plant and Equipment recognised in statement of performance	748 512	176 992
	Effect of change in accounting estimates		
	Change in estimates in terms of GRAP 3		
	The useful life of the landfill site rehablitation was adjusted for a further period untill closure by June 2013.		
	The effect of the adjustment is as follow:		
	Depreciation after adjustments	**25 999**	**154 246**
	Depreciation before adjustments	**51 999**	**215 904**
	The useful lifes of other assets were adjusted for further periods		
	The effect of the adjustment is as follow:		
	Depreciation after adjustments	**7 948**	-
	Depreciation before adjustments	**8 611**	-
	The useful lifes of leased assets were adjusted for further periods		
	Depreciation after adjustments		
	Depreciation before adjustments	**2 110**	-
		3 516	-
	Decrease in costs due to adjustment		
	Depreciation after adjustments		
	Depreciation before adjustments		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Infrastructure	718 754	
	Other	29 758	
		748 512	

		R	R
14	**INVESTMENT PROPERTY**		
	Net Carrying amount at 1 July	**97 422 384**	**97 590 490**
	Cost	98 787 966	98 787 966
	Accumulated Depreciation	(1 365 582)	(1 197 476)
	Depreciation for the year	(168 107)	(168 107)
	Net Carrying amount at 30 June	**97 254 277**	**97 422 384**
	Cost	98 787 966	98 787 966
	Accumulated Depreciation	(1 533 689)	(1 365 582)
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	763 295	900 588

		2012 R	2011 R
15	**INTANGIBLE ASSETS**		
	Computer Software		
	Net Carrying amount at 1 July	**9 287 460**	**8 378 707**
	Cost	9 938 275	8 466 371
	Accumulated Amortisation	(650 815)	(87 664)
	Additions	462 783	1 471 904
	Amortisation	(565 006)	(563 150)
	Net Carrying amount at 30 June	**9 185 237**	**9 287 460**
	Cost	10 401 058	9 938 275
	Accumulated Amortisation	(1 281 592)	(650 815)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value 2012 R	Carrying Value 2011 R
Microsoft Office and Windows software	5	9 185 237	9 287 460

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

		2012	2011
16	**NON -CURRENT ASSETS HELD FOR SALE**		
	None current assets held for sale at beginning of the year-at book value	37 500	
	Additions for the year		37 500
	Sold during the year	**(37 500)**	
	Non current assets held for sale at end of the year-at book value	**-**	**37 500**
17	**NON - CURRENT INVESTMENTS**		
	Fixed Deposits	4 275 037	3 971 733
	Total Non- Current Investments	**4 275 037**	**3 971 733**

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at an average rate of 7,64 % per annum.
Fixed Deposits of R4275037, (2011: R3 971733) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 3

18	**LONG-TERM RECEIVABLES**		
	Housing selling scheme loans	289 367	366 101
	Less : Current portion transfered to current receivables	(77 680)	(75 307)
		-	
	Total Long- Term Receivables	**211 686**	**290 794**

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The carrying amount of these assets approximates their fair value.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of the these accounts are reflected as part of the outstanding receivables from exchange transactions.

19	**INVENTORY**		
	Consumables at store - At cost	1 791 081	2 068 055
	Water – at cost	117 282	111 991
	Total Inventory	**1 908 362**	**2 180 046**
	Consumable stores materials written down due to losses as identified during the annual stores counts.	**146 177**	**56 117**
	Consumable stores materials surplusses identified during the annual stores counts.	**25 308**	
	Inventory recognised as an expense during the year	**2 658 028**	**3 111 813**

No inventory assets were pledged as security for liabilities.

20	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**	**Gross Balances**	**Provision for Impairment**	**Nett Balances**
	As at 30 June 2012			
	Service Receivables	67 339 016	36 226 084	31 112 932
	Electricity	14 317 719	3 785 920	10 531 799
	Water	16 273 265	9 930 990	6 342 275
	Sewerage	18 923 141	11 679 237	7 243 904
	Sundries	6 514 522	2 447 010	4 067 512
	Refuse Removal	11 310 369	8 382 927	2 927 442
	Housing Rentals	439 679	261 752	177 927
	Total	**67 778 694**	**36 487 836**	**31 290 858**
	As at 30 June 2011			
	Service Receivables	51 062 287	26 044 901	25 017 386
	Electricity	10 651 007	3 126 229	7 524 778
	Water	12 318 137	6 945 195	5 372 942
	Sewerage	14 792 316	8 272 227	6 520 089
	Sundries	4 794 474	1 990 652	2 803 822
	Refuse Removal	8 506 353	5 710 598	2 795 755

Housing Rentals	310 387	173 308	137 080
Total	**51 372 675**	**26 218 209**	**25 154 466**

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	9 521 592	7 178 870
31 - 60 Days	1 249 946	967 247
61 - 90 Days	636 837	461 315
+ 90 Days	2 909 344	2 043 577
Total	**14 317 719**	**10 651 009**

(Water): Ageing

Current (0 - 30 days)	3 059 987	3 582 481
31 - 60 Days	881 414	644 674
61 - 90 Days	636 822	702 595
+ 90 Days	11 695 042	7 388 387
Total	**16 273 265**	**12 318 137**

(Sewerage): Ageing

Current (0 - 30 days)	2 528 487	4 066 753
31 - 60 Days	1 142 808	558 494
61 - 90 Days	1 323 650	502 252
+ 90 Days	13 928 196	9 664 818
Total	**18 923 141**	**14 792 316**

(Sundries): Ageing

Current (0 - 30 days)	131 091	385 251
31 - 60 Days	148 435	30 010
61 - 90 Days	48 512	1 481 304
+ 90 Days	6 186 483	2 897 909
Total	**6 514 522**	**4 794 474**

(Refuse): Ageing

Current (0 - 30 days)	1 371 087	1 979 258
31 - 60 Days	556 067	340 888
61 - 90 Days	430 681	285 193
+ 90 Days	8 952 534	5 901 014
Total	**11 310 369**	**8 506 353**

(Housing): Ageing

Current (0 - 30 days)	48 776	84 404
31 - 60 Days	19 917	26 623
61 - 90 Days	14 118	26 447
+ 90 Days	356 868	172 913
Total	**439 679**	**310 387**

(Total): Ageing

Current (0 - 30 days)	16 661 021	17 277 016
31 - 60 Days	3 998 586	2 567 936
61 - 90 Days	3 090 620	3 459 106
+ 90 Days	44 028 468	28 068 618
Total	**67 778 694**	**51 372 675**

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	17 211 318	16 009 984
Other Receivables	787 985	341 430
Insurance claims		341 430
Sundry Debtors	787 985	0
Total Receivables from Non-Exchange Transactions	**17 999 303**	**16 351 414**
Less: Allowance for Doubtful Debts	(5 026 577)	(4 775 365)
Total Net Receivables from Non-Exchange Transactions	**12 972 726**	**11 576 049**

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	5 833 665	4 146 335
31 - 60 Days	852 191	827 932
61 - 90 Days	513 542	660 474
+ 90 Days	10 011 921	10 375 242
Total	**17 211 318**	**16 009 984**

Trade and other receivables impaired

	Exchange Transactions	Non-Exchange Transactions	Total
2012	**R's**	**R's**	**R's**
Total	36 487 836	5 026 577	41 514 413
2011			
Total	26 218 209	4 775 365	30 993 574

Reconciliation of Provision for Bad Debts

Balance at beginning of year	30 993 574	24 232 719
Contribution to provision	11 725 900	12 124 452
Bad Debts Written Off	(1 205 061)	(5 363 597)
Balance at end of year	**41 514 413**	**30 993 574**

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessee (Liability)

Balance on 1 July	552 476	565 623
Movement during the year	(30 553)	(13 147)
Balance on 30 June	**521 923**	**552 476**

		R	R
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows		
	Up to 1 Year	1 134 830	2 509 176.00
	1 to 5 Years	1 263 461	2 205 877
	More than 5 Years	587 896	780 310
	Total Operating Lease Arrangements	**2 986 187**	**5 495 363**

Operating leases consist out of agreements for buildings ,vehicles and other equipment

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

22.2 The Municipality as Lessor (Asset)

Balance on 1 July	4 117	5 083
Movement during the year	(1 230)	(966)
Balance on 30 June	**2 887**	**4 117**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	15 300	18 262
1 to 5 Years	11 393	26 612
More than 5 Years	-	81
Total Operating Lease Arrangements	**26 693**	**44 955**

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The leases are in respect of land and buildings being leased out for several purposes

The municipality does not engage in any sub-lease arrangements

The municipality did not receive any contingent rent during the year

23 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	26 895 096	10 191 098
Bank Accounts	1 564 610	6 481 294
Cash Floats	11 220	11 220
Total Cash and Cash Equivalents - Assets	**28 470 926**	**16 683 612**

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.
Bank overdraft facility of R0 , (2011) R 5,000,000 exists at Standard Bank.
Security amounting to R 200,000 are held at Absa Bank for E- Fuel.

The municipality has the following bank accounts:

Current Accounts-Cash book balances

Standard Bank George-Account Number 082599343 (Primary Bank Account)	7 150 361	4 912 590
Standard Bank George-Account Number 282032371 (Direct Deposits)	1 326 668	1 211 342
Standard Bank George-Account Number 082608288 (ACB)	113 605	42 047
Standard Bank George-Account Number 082592535 (Traffic Account)	410 604	370 199
FNB - AccountNumber 62060979964	6 735	-
	9 007 973	**6 536 178**
Cash book balance at beginning of year	6 481 294	11 484 922
Cash book balance at end of year	1 564 610	6 481 294
Standard Bank George-Account Number 082599343 (Primary Bank Account)		
Bank statement balance at beginning of year	4 912 590	17 465 800
Bank statement balance at end of year	7 150 361	4 912 590
Standard Bank George-Account Number 282032371 (Direct Deposits)		
Bank statement balance at beginning of year	1 211 342	929 054
Bank statement balance at end of year	1 326 668	1 211 342
Standard Bank George-Account Number 082592535 (Traffic Account)		
Bank statement balance at beginning of year	370 199	453 867
Bank statement balance at end of year	410 604	370 199
Standard Bank George-Account Number 082608288 (ACB)		
Bank statement balance at beginning of year	42 047	430

Bank statement balance at end of year	113 605	42 047

FNB- Account Number 62060979964

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	**6 735**	-

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Account nr 20-4897-5233	38 303	36 243
Absa Account nr 20-5009-0176	21 865	20 689
Standard Account nr 488-860-7000-013	6 097	5 886
Standard Account nr 488-860-7000-015	5 078 228	10 128 281
Investec Account nr 1100443838450	10 281 310	-
Nedbank Account nr 03-7881052406-000039-000039	6 287 237	-
Nedbank Account nr 03-7881052406-000039-000038	5 182 055	-
	26 895 096	**10 191 099**

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6 % per annum.

ABSA investment account number 2048975233 has been ceded as collateral for bond number 8043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 8044250229 to the amount of R13 700.

		2012 R	**2011 R**
24	**PROPERTY RATES**		
	Actual		
	Rateable Land and Buildings	70 817 786	66 796 239
	Residential, Industrial,Rural and Other	64 041 686	59 062 849
	Commercial	6 142 045	7 039 605
	State	634 055	693 785
	Less: Rebates	(1 005 697)	(1 381 402)
	Total Assessment Rates	**69 812 089**	**65 414 837**

		2012 R	2011 R
	Valuations - 1 JULY 2011		
	Rateable Land and Buildings		
	Residential, Industrial,Rural and Other	19 261 950 771	18 946 107 897
	Commercial	978 821 050	1 212 732 150
	State	137 522 550	122 576 322
	Total Assessment Rates	**20 378 294 371**	**20 281 416 369**

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories.a Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly installments. Monthly rates are payable by the 15th of the following month . Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	**18 978 000**	**17 536 395**
Equitable Share	18 978 000	17 536 395
Conditional Grants	**39 832 137**	**90 070 426**
Grants and donations	39 832 137	90 070 426
Total Government Grants and Subsidies	**58 810 137**	**107 606 821**
Government Grants and Subsidies - Capital	26 696 693	61 215 142
Government Grants and Subsidies - Operating	32 113 444	46 391 679
	58 810 137	**107 606 821**

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Community & Social Services	2 454 549	350 000
Electricity	561 798	11 193 967
Executive & Council	19 807 106	18 361 395
Budget & Treasury	1 250 000	2 750 000
Housing	13 293 945	33 987 853
Planning & Development	14 060 088	10 869 454
Road Transport	301 651	-
Water	7 081 000	30 094 153
	58 810 137	**107 606 821**

The municipality does not expect any significant changes to the level of grants

25.1 Equitable share

Grants received	18 978 000	17 536 395
Conditions met - Operating	(18 978 000)	(17 536 395)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

25.2 Extended Public Works Program

Opening balance	-	-
Grants received	502 000	
Conditions met - Operating		
Conditions still to be met	**502 000**	-

Job creation projects in previous disadvantage areas

25.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 250 000	2 750 000
Conditions met - Operating	(1 250 000)	(2 750 000)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

25.4 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	790 000	750 000
Conditions met - Operating	(790 000)	(750 000)
Grant expenditure to be recovered	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, paid by National Treasury.

25.5 Municipal Infrastructure Grant (MIG)

Opening balance	-	9 094 153
Grants received	12 081 000	-
Transfers	-	
Conditions met - Operating	(6 193)	(53 824)
Conditions met - Capital	(7 074 807)	(9 040 329)
Conditions still to be met	**5 000 000**	-

The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.

25.6 Housing Grants

Opening balance	25 840 364	7 423 123
Grants received	16 327 134	52 405 094
Conditions met - Operating	(8 293 945)	(24 716 065)
Conditions met - Capital	(5 000 000)	(9 271 788)
Conditions still to be met	**28 873 553**	**25 840 364**

Housing grants was utilised for the development of erven and the erection of top structures,paid by the

25.7 National Electrification Programme

Opening balance	242 549	1 436 516
Grants received	2 000 000	10 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(281 798)	(11 193 967)
Conditions still to be met	**1 960 751**	**242 549**

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

25.8 Drought Relief Grant

Opening balance	-	-
Grants received	-	20 000 000
Conditions met - Capital	-	(20 000 000)
Conditions still to be met	-	-

The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .

25.9 Neighbourhood Development Grant (NDPG)

Opening balance	7 531 896	3 531 807
Grants received	9 990 000	14 709 148
Conditions met - Operating	-	-
Conditions met - Capital	(14 456 714)	(10 709 059)
Conditions still to be met	**3 065 182**	**7 531 896**

Job creation in the previous disadvantage areas

25.10 Provincial Management Support Grant

Opening balance	164 205	324 600
Grants received	200 000	-
Conditions met - Operating	-	(160 395)
Conditions met - Capital	-	-
Conditions still to be met	**364 205**	**164 205**

The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.

25.11 Community Development Workers

Opening balance		-
Grants received	52 000	75 000
Conditions met - Operating	(39 106)	(75 000)
Conditions met - Capital	-	-
	12 894	**-**
Conditions still to be met		

The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.

25.12 Library Grant

Opening balance	-	-
Grants received	425 000	350 000
Conditions met - Operating	(385 549)	(350 000)
Conditions met - Capital	-	-
	-	-
Conditions still to be met	**39 451**	**-**

The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy

25.13 Spatial Planning

Opening balance	84 200	84 200
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	-	-
Conditions still to be met	**84 200**	**84 200**

The grant was received from the Provincial Department of Environmental Affairs and Planning for the review of the spatial development framework. No funds were withheld. Projects that relates to Spatial Planning are

25.14 Revitalise urban areas

Opening balance	50 000	50 000
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	-	-
Conditions still to be met	**50 000**	**50 000**

The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the revitalisation of urban areas. No funds were withheld. Projects that relate to the above are still

25.15 Socio Economic upgrading of informal settlements

Opening balance	50 000	50 000
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	-	-
Conditions still to be met	**50 000**	**50 000**

The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the socio-economic upgrading of informal settlements. No funds were withheld. Projects that relates to socio economic upgrade of informal settlements are still incomplete.

25.16 Traffic Disaster

Opening balance	782	782
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	-	-
Conditions still to be met	**782**	**782**

The grant was received from Provincial Department to assist with Traffic Disasters

25.17 MPC Kurland

Opening balance	16 818	16 818
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-

		-	-
	Conditions still to be met	**16 818**	**16 818**

The grant was received from the National Department of Agriculture for an Local Economic Development project. The monies were to be used for a job creation project, specifically for woman. The project is still

25.18 Eden District Municipality Water Grant

Opening balance	-	-
Grants received	-	1 000 000
Conditions met - Operating	-	-
Conditions met - Capital	-	(1 000 000)
	-	-
Conditions still to be met		

The grant was received from the Eden District Municipality for water infrastructure . No funds were withheld.

25.19 Municipal Replacement Grant

Opening balance	-	-
Grants received	2 069 000	-
Conditions met - Operating	(2 069 000)	-
Conditions met - Capital	-	
	-	-
Conditions still to be met		

This grant was received as a contribution for the operational cost of the libraries

25.20 Proclaimed Roads Maintenance

Opening balance	-	-
Grants received	800 000	-
Conditions met - Operating	(301 651)	-
Conditions met - Capital	-	-
	-	
Conditions still to be met	**498 349**	**-**

This subsidy was for maintenance on main roads , belonging to the Western Cape Government

25.21 Escom Demand Side Management (EDSM)

Opening balance	-	-
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(280 000)	-
Conditions still to be met	**(280 000)**	

25.19 Total Grants

Opening balance	33 980 814	22 011 999
Grants received	65 464 134	119 575 637
Conditions met - Operating	(32 113 444)	(46 391 679)
Conditions met - Capital	(27 093 319)	(61 215 143)
Conditions still to be met/(Grant expenditure to be recovered)	**40 238 185**	**33 980 814**

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	40 914 812	33 980 814
Unpaid Conditional Government Grants and Receipts	(280 000)	-
	40 634 812	**33 980 814**

26 PUBLIC CONTRIBUTIONS AND DONATIONS

Augmentation Fees: Electricity	1 376	802 666
Augmentation Fees: Water	1 163 716	1 452 031
Augmentation Fees:Sewerage	385 122	1 381 661
Lotto	1 445 458	
Lipton	20 000	
	3 015 671	**3 636 357**

27 SERVICE CHARGES

Electricity charges	91 097 585	74 924 583
Water charges	29 994 272	27 639 063
Refuse removal charges	16 183 810	13 228 949
Sewerage and Sanitation Charges	28 084 782	24 231 791
	165 360 449	140 024 386
Less: Rebates	(3 744 602)	(2 998 602)

	Total Service Charges	**161 615 847**	**137 025 785**

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

28 OTHER INCOME

Fuel Sales	1 082	2 871
Landing Fees	26 141	31 442
Building Plan Fees	1 025 676	1 394 459
Boat Launching Fees	25 467	166 456
List of building plans	3 310	5 273
Sale of wheelie bins	0	16 257
Fire fighting fees	90 508	90 350
Cemetery Fees	21 666	34 168
Conservancy Fees	839 991	774 503
Connection Fees	292 478	229 254
Services Connections	76 007	96 316
Re/disconnections	156 456	185 256
Sundries	1 072 165	2 014 225
Total Other Income	**3 630 946**	**5 040 830**

29 EMPLOYEE RELATED COSTS

Salaries and Wages	58 362 161	59 312 075
Contributions to UIF and pensions	9 121 336	9 082 752
Bonuses	3 804 701	5 063 647
Overtime payments	3 241 689	4 030 644
Standby Allowance	842 055	843 673
Travelling Allowance and subsistance and other Allowances	6 173 864	6 557 867
Housing Benifits and Allowance	717 150	617 532
Medical Aid contributions	8 166 002	7 606 795
Contributions to Group Insurance	1 672 832	1 715 598
Contributions to Leave	1 602 123	1 954 924
Contribution to Post Employment Medical	6 113 020	4 249 370
Contribution to Long Service awards	629 939	378 521
Provision for TASK	-	744 798
Total Employee Related Costs	**100 446 874**	**102 158 196**

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager (Period July 2011-February 2012)		
Annual Remuneration	1 051 268	944 379
Performance Bonus	-	107 467
Travelling Allowance	141 760	144 000
Telephone allowance	-	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	37 589	31 422
Total	**1 230 618**	**1 245 268**
Remuneration of the Director Infrastructure and Technical Services		
Annual Remuneration	744 772	513 600
Performance Bonus	-	91 347
Travelling Allowance	147 816	323 789
Telephone allowance	-	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	109 389	114 443
	1 001 977	1 061 178
Remuneration of the Director Corporate Services		
Annual Remuneration	866 584	813 174
Performance Bonus	-	91 347
Travelling Allowance	100 000	100 000
Telephone allowance	-	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	47 153	38 657
Total	**1 013 737**	**1 061 178**
Remuneration of the Director Community Services		
Annual Remuneration	782 958	776 405
Performance Bonus	-	91 347
Travelling Allowance	181 318	144 000
Telephone allowance	-	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	45 017	31 427
Total	**1 009 292**	**1 061 178**
Remuneration of the Chief Financial Officer (July 2011-Febr 2012)		
Annual Remuneration	587 124	874 275

Performance Bonus	-	96 720
Travelling Allowance	96 301	132 000
Telephone allowance	1 750	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	8 936	1 547
	694 111	**1 122 542**

Remuneration of the Director : Strategic Services

Annual Remuneration	948 975	695 805
Performance Bonus	-	91 347
Bonus	4 062	
Travelling Allowance	299 062	129 235
Telephone allowance	2 000	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Counci	81 642	126 791
	1 335 741	**1 061 178**

30 REMUNERATION OF COUNCILLORS

Executive Mayor	545 665	531 865
Deputy Executive Mayor	439 043	427 846
Speaker	409 747	422 162
Mayoral Committee Members	837 184	431 975
Councillors	1 310 280	1 027 282
Councillors-other allowances	193 415	151 693
Total Councillors' Remuneration	**3 735 333**	**2 992 823**

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.

31 DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 20	-	10 920 985
Trade Receivables from non-exchange transactions - Note 21	11 725 900	1 203 467
Total Contribution to Debt Impairment	11 725 900	**12 124 452**
Less: Portion Relating to VAT	(1 258 187)	**-**
Debt impairment recognised in statement of financial performance	**10 467 713**	**12 124 452**

32 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	18 233 425	15 811 259
Investment Property	168 107	168 107
Intangible Assets	565 006	563 150
Capitalized Restoration Cost	-	
	18 966 538	**16 542 515**

33 IMPAIRMENTS

Property Plant & Equipment	748 512	176 992
Inventory	-	89 072
	748 512	**266 064**

34 FINANCE CHARGES

Long-term Liabilities	11 953 548	9 869 930
Finance leases	163 151	263 064
Hire Purchase	-	7 744
Tip site restoration contribution	313 700	355 133
Pension Fund	205 507	-
Total finance charges	**12 635 907**	**10 495 871**

35 BULK PURCHASES

Electricity bulk	56 600 095	50 581 992
Total Bulk Purchases	**56 600 095**	**50 581 992**

		2012 R	2011 R
36	**GENERAL EXPENSES**		
	Advertising	531 032	541 205
	Hire & Maintenance	677 187	1 488 623
	Hire of Vehicles	2 002 155	2 304 641
	Local Economic Development	-	3 688
	I T Support	-	3 136 130
	Insurance	1 111 680	718 747
	Materials and Stores	857 849	816 425
	Printing and Stationary	699 114	650 502
	Audit Fees	1 221 790	2 221 915
	Rent: Other	1 283 823	952 389
	Events & Festivals	206 146	1 139 690
	Disaster Relief	382 873	1 831 759
	Congresses and Seminars	932 648	960 430
	Third Party Payments	-	22 749
	Security	-	2 713 978
	Emergency VIP Protection	-	695
	Telecommunication	1 604 057	1 512 678
	Training	133 021	621 139
	Legal Expenses	3 869 278	4 182 518
	Electricity Supply	2 036 153	1 856 307
	General Cleanup	1 485 334	1 293 438
	Vehicle Operating Cost	3 541 714	3 488 808
	Chemicals	1 263 385	1 125 944
	Other	20 142 729	15 786 632
		43 981 969	**49 371 031**

		2011 R
37	**CORRECTION OF ERRORS IN TERMS OF GRAP 3**	

Prior year adjustments due to non-compliance with Accounting policy and errors

37.1 **(a)** Incorrect allocations in terms of payments for interest and redemption on annuity loans payable to Standard Bank were made in previous years originating in 2008. Standard Bank has amended their annuity tables, and this is now retrospective corrected with the following entries:
(Dt) Accumulated Surplus - previous years - R94825.73 and (Ct) Long-term Liabilities - R94825.73

(b) Salary payments and commissions on transfers for previous years have not been corrected during the previous financial year. It is now corrected retrospectively with the following entries : (Dt) Accumulated Surplus (2009) R242974.84 and (Ct) Receivables from non-exchange transactions R242974.84

(c) As part of the revenue enhangement program,the following amounts were levied in the current year in respect of previous years errors in accounts:
(2010/11) Refuse R512847.48, Sewerage R1062963.18, Water R723235.83, Electricity R191420.40,Rates R1048007.19 and Sanitasion (R36226.
(2009/10) Refuse R435914.19,Sewerage R1158890.10,Water R652209.16,Electricity R130370.14,Rates R701853.56 and Sanitation (R50274.00)
It is corrected retrospectivly with the following entries: (Dt) Receivables from exchange transactions R4781349.92 (Dt) Receivables from non-excha transactions R1749860.75, and (Ct) Accumulated Surplus R6531210.67

(d) Assets to the value of R3068316.21 in respect of the 2010/11 year were incorrectly not capitalized, with the effect that assets and creditors were both understated in the 2010/11 year.This error is now rectified with the following entries: (Dt) Property , Plant and Equipment R3068316.21, and (Ct) Payables from exchange transactions R871203.14 Retension and R2197113.07 other creditors)
(Ct) Accumulated Depreciation R1095.72 and (Dt) Accumulated Surplus - Depreciation 2010/11 R1095.72

The above representing the narratives of the following Corrections of Errors as set out from notes 37.2 to 37.7

		2 011 R	2 010 R
37.2	**Accumulated Surplus**		
	Balance previously reported	**431 473 143**	**406 037 365**
	Correction of Long-term liabilities-see note 37.1 (a)	(94 826)	(94 826)
	Correction of Receivables from non- exchange trasactions-see note 37.1(b)	(242 975)	(242 975)
	Correction of Receivables from exchange trasactions-see note 37.1(c)	4 781 350	2 327 110
	Correction of Receivables from non- exchange trasactions-see note 37.1(c)	1 749 861	701 854
	Correction of Receivables from non- exchange trasactions-see note 37.1(d)	(1 096)	
	Restated balance	**437 665 457**	**408 728 528**
37.3	**Receivables from non exchange transactions**		
	Balance previously reported	**10 069 163**	**9 439 452**
	Correction of error -see note 37.1(b)	(242 975)	(242 975)
	Correction of error -see note 37.1(c)	1 749 861	701 854
	Restated balance	**11 576 049**	**9 898 331**

37.4	**Longterm Liabilities**		
	Balance previously reported	**82 141 180**	**45 227 154**
	Correction of error -see note 37.1(a)	94 827	94 826
	Restated balance	**82 236 007**	**45 321 980**
37.5	**Receivables from Exchange transactions**		
	Balance previously reported	**20 373 116**	**17 391 437**
	Correction of error -see note 37.1(c)	4 781 350	2 327 110
	Restated balance	**25 154 466**	**19 718 547**
37.6	**Payables from exchange transactions**		
	Balance previously reported	**55 883 836**	
	Correction of error -see note 37.1(d)	3 068 316	
	Restated balance	**58 952 152**	
37.7	**Property, Plant and Equipment**		
	Balance previously reported	**524 192 857**	
	Correction of error -see note 37.1(d)	3 068 316	
	Correction of error -see note 37.1(d)	(1 096)	
	Restated balance	**527 260 077**	

		2012 R	**2011 R**
38	**RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus for the year	22 878 603	28 176 713
	Adjustments for:		
	Depreciation	18 401 532	15 979 365
	Amortisation of Intangible Assets	565 006	563 150
	Asset Impairment	748 512	176 992
	Loss on disposal of property,plant and equipment	-	734 365
	Debt Impairment	11 725 900	12 124 452
	Debt Impairment-written off	(1 205 061)	(5 363 598)
	Contribution to non current liability	347 405	576 187
	Contribution to employee benefits-current	(123 916)	2 874 129
	Contribution from/to employee benefits-non current	9 073 093	10 595 618
	Operating lease income accrued	1 230	966
	Operating lease expenses accrued	(30 553)	(13 147)
	Operating Surplus before changes in working capital	62 381 751	66 425 192
	Changes in working capital	(35 911 887)	22 439 874
	(Decrease)/Increase in Trade and Other Payables	(38 268 665)	18 069 291
	Increase in Unspent Conditional Government Grants and Receipts	6 933 998	11 968 815
	Increase in Unspent Conditional Public Grants and Reserves	663 920	2 982 630
	Increase in Taxes	12 783 584	2 680 789
	Decrease in Inventory	271 684	612 852
	Decrease in Non Current Assets Held For Sale	37 500	
	(Increase) in Trade and other receivables	(18 053 908)	(12 102 837)
	Increase in Unpaid Conditional Government Grants and Receipts	(280 000)	(1 771 666)
	Cash generated by operations	**26 469 863**	**88 865 067**

39	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 23	26 895 096	10 191 098
	Cash Floats - Note 23	11 220	11 220
	Bank - Note 23	1 564 610	6 481 294
	Total cash and cash equivalents	**28 470 926**	**16 683 612**
40	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 39	28 470 926	16 683 612
		28 470 926	16 683 612

Less:	46 906 739	26 525 237
Unspent Committed Conditional Grants - Note 10	40 914 812	33 980 814
VAT - Note 12	2 345 377	(10 438 207)
Unspent Public Contributions	3 646 550	2 982 630
Resources available for working capital requirements	**(18 435 813)**	**(9 841 625)**

41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	123 638 729	102 605 722
Used to finance property, plant and equipment - at cost	(123 638 729)	(102 605 722)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

42 BUDGET COMPARISONS

42.1 Operational

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Revenue by source				
Property taxes	69 812 089	70 500 000	(687 911)	-1%
Government Grants and Subsidies-capital	26 696 693	31 845 446	(5 148 753)	-16%
Government Grants and Subsidies	32 113 444	42 763 357	(10 649 913)	-25%
Public Contributions and Donations	3 015 671	4 580 000	(1 564 329)	-34%
Fines	5 143 656	4 753 900	389 756	8%
Service Charges	160 141 637	155 673 054	4 468 583	3%
Rental of Facilities and Equipment	763 295	1 907 953	(1 144 658)	-60%
Interest Earned - external investments	1 464 749	482 000	982 749	204%
Interest Earned - outstanding debtors	3 161 664	3 090 000	71 664	2%
Agency Services	760 645	700 000	60 645	9%
Other Income	3 630 946	5 927 995	(2 297 049)	-39%
Licences and Permits	94 461	116 000		
Gain on disposal of Property, Plant and Equipment	390 893	403 893		
	307 189 842	322 743 598	(15 519 217)	-5%
Expenditure by nature				
Employee Related Costs	100 446 874	96 037 743	(4 409 131)	5%
Remuneration of Councillors	3 735 333	3 724 708	(10 625)	0%
Debt Impairment	10 467 713	9 444 999	(1 022 714)	11%
Collection Cost	995 711	660 000	(335 711)	51%
Depreciation and Amortisation	18 966 538	18 238 116	(728 422)	4%
Impairments	748 512	-	(748 512)	-100%
Stock written-off	61 709		(61 709)	-100%
Repairs and Maintenance	10 240 307	12 324 305	2 083 998	-17%
Actuarial losses	3 408 644	-	(3 408 644)	-100%
Finance Charges	12 635 907	11 966 718	(669 189)	6%
Bulk Purchases	56 600 095	65 000 000	8 399 905	-13%
Contracted services	10 998 681	11 755 964	757 283	-6%
Operating Grant Expenditure	10 998 745	20 146 134	9 147 389	-45%
General Expenses	43 981 969	53 951 366	9 969 397	-18%
Loss on Disposal of PPE	24 500		(24 500)	-100%
	284 311 240	303 250 053	18 938 813	-6%
Net Surplus for the year	**22 878 603**	**19 493 545**	**3 419 597**	18%

Reasons: Revenue by source
Government Grants and Subsidies-capital - Unspent portion of capital grants received not recognised as income.
Government Grants and Subsidies
Public Contributions and Donations - Unspent portion of Lotto funding not recognised as income
Rental of Facilities and Equipment - Reduction in rental of Look Out Beach Restaurant
Interest Earned - external investments: Unspent portion of external loans invested, resulting in higher then anticipated interest received
Other Income - Vat Recovery transferred

Reasons: Expenditure by nature
Debt Impairment - Under provision of debt impairment
Impairments - Impairment of Infrastructure and Other Assets not provided for
Repairs and Maintenance - Less then anticipated expenditure on various votes due to savings measures by Municipal Manager
Bulk Purchases - Less then anticipated electricity purchases for winter period
Operating Grant Expenditure - Capital portion of Housing grant portion not correctly allocated
General Expenses - Savings on some votes including due to forced savings measurements instituted by the Municipal Manager
Loss on Disposal of PPE - Fire engine sold for less then its carrying value

42.2 Expenditure by Vote

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Community & Social Services	7 884 308	8 887 235	(1 002 927)	-11%
Corporate Services	18 882 039	22 420 913	(3 538 874)	-16%
Electricity	70 245 980	81 842 904	(11 596 924)	-14%
Executive & Council	43 507 989	37 457 136	6 050 853	16%
Budget & Treasury	18 189 216	18 562 876	(373 660)	-2%
Housing	13 184 791	21 359 171	(8 174 380)	-38%
Health	17 515	-	17 515	100%
Other	3 797 781	5 707 229	(1 909 448)	-33%
Planning & Development	7 375 269	8 318 444	(943 175)	-11%
Public Safety	17 524 561	17 579 162	(54 601)	0%
Road Transport	18 345 368	17 231 925	1 113 443	6%
Sport & Recreation	14 276 951	15 379 028	(1 102 077)	-7%
Waste Management	13 377 511	14 836 419	(1 458 908)	-10%
Waste Water Management	17 746 000	15 090 995	2 655 005	18%
Water	19 955 961	18 576 616	1 379 345	7%
	284 311 240	**303 250 053**	**(18 938 813)**	**-6%**

		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.3	**Capital expenditure by vote**				
	Community & Social Services	9 625 424	9 956 861	(331 437)	-3%
	Corporate Services	1 951 706	3 180 000	(1 228 294)	-39%
	Electricity	2 506 036	4 383 139	(1 877 103)	-43%
	Executive & Council	52 859	60 000	(7 141)	-12%
	Budget & Treasury	28 100	270 000	(241 900)	-90%
	Housing	7 000 000	7 121 000	(121 000)	-2%
	Planning & Development	38 133	90 000	(51 867)	-58%
	Public Safety	759 072	815 145	(56 073)	-7%
	Road Transport	7 727 484	11 235 734	(3 508 250)	-31%
	Sport & Recreation	1 813	5 000 000	(4 998 187)	-100%
	Waste Management	190 291	3 500 000	(3 309 709)	-95%
	Waste Water Management	630 922	900 000	(269 078)	-30%
	Water	7 039 324	7 168 500	(129 176)	-2%
				-	
		37 551 165	**53 680 379**	**(16 129 214)**	**-30%**

Reasons for under spending

Electricity - Housing Electrification project rolled-over and to be completed in 2012/2013 financial year
Budget & Treasury - Delay with SCM processed for procurement of Metering System
Planning & Development - Moratorium placed on capital expenditure
Sport & Recreation -Construction of Swimming pool did not realise. Lotto funds provided for the upgrading of sports facilities to be rolled over to 2012/2
Waste Management: Construction of waste transfer station did not realise as anticipated.
Waste Water - Combination of savings on equipment procured and the moratorium placed on capital expenditure

		2011 R	2010 R
43	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**		
43.1	**Unauthorised expenditure**		
	Reconciliation of unauthorised expenditure:		
	Opening balance	43 363 835	-
	Unauthorised expenditure current year - capita	-	-
	Unauthorised expenditure current year - operating	11 161 561	43 363 835
	Written off by council	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	**54 525 396**	**43 363 835**

Unauthorised expenditure on operating votes is mainly due to provisional (book entries), amounts recognised in terms of GRAP implimentation.

Incident	Disciplinary steps/criminal proceedings		
Over expenditure on votes 2010/2011	*None*		43 363 835
Over expenditure on votes 2011/2012	*None*	11 161 561	
		11 161 561	**43 363 835**

		2012 R	2011 R
	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)		
43.2	**Fruitless and wasteful expenditure**		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	3 619 682	-
	Fruitless and wasteful expenditure current year	60 835	3 619 682
	Paid back/condoned	(3 619 682)	-
	Fruitless and wasteful expenditure awaiting further action	**60 835**	**3 619 682**

Incident	Disciplinary steps/criminal proceedings	
Interest and penalties paid on VAT	*None*	45 719
Interest- late payment of Escom accounts	*None*	12 549
Interest - late payment of pensionsfund	*None*	2 567
		60 835

		2010 R	2009 R
43.3	**Irregular expenditure**		
	Reconciliation of irregular expenditure:		
	Opening balance	4 626 366	-
	Irregular expenditure current year	187 495	4 626 366
	Irregular expenditure awaiting further action	**4 813 861**	**4 626 366**

Incident	Disciplinary steps/criminal proceedings	
Shortages in Motor registration Agency Fees- possible fraud	*In process to investigate*	187 495

		2012	2011
43.4	**Material Losses**		
	Water distribution losses		
	- Kilo litres disinfected/purified/purchased	2 836 779	2 573 438
	- Kilo litres lost during distribution	457 665	519 950
	- Percentage lost during distribution	16.13%	20.20%
	Electricity distribution losses		
	- Units purchased (Kwh)	101 905 034	103 307 029
	- Units lost during distribution (Kwh)	10 165 642	12 475 041
	- Percentage lost during distribution	9.98%	12.08%

		2012 R	2011 R
44	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		
44.1	**Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**		
	Council subscriptions	675 969	417 265
	Amount paid - current year	(675 969)	(417 265)
	Balance unpaid (included in creditors)	**-**	**-**

		2012 R	2011 R
44.2	**Audit fees - [MFMA 125 (1)(c)]**		
	Opening balance	-	-
	Current year audit fee	1 221 790	2 221 915
	External Audit - Auditor-General	1 221 790	2 221 915
	Amount paid - current year	(1 221 790)	(2 221 915)
	Balance unpaid (included in creditors)	**-**	**-**

44.3	**VAT - [MFMA 125 (1)(b)]**		
	Vat in suspense due to cash basis of accounting		
	Vat in suspence	(2 345 377)	10 438 207
			-
	Payable/ Receivable	**(2 345 377)**	**10 438 207**

VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

		2012 R	2011 R
44.4	**PAYE, SDL and UIF - [MFMA 125 (1)(c)]**		
	Current year payroll deductions and Council Contributions	12 672 103	12 372 055
	Amount paid - current year	(11 714 186)	(12 372 055)
	Balance unpaid (included in creditors)	**957 917**	**-**
44.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	26 035 346	16 053 558
	Amount paid - current year	(25 064 921)	(16 053 558)
	Balance unpaid (included in creditors)	**970 425**	**-**

44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

Councillors with arrear accounts for more than 90 days as at 30 June 2011

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
L.R. Jonas	4 044	-
J.J.N. Stuurman	5 518	-
S.E. Gcabayi	8 062	-
Total Councillor Arrear Consumer Accounts	**17 624**	**-**

44.7 Other non-compliance (MFMA 125(2)(e))

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services,Advertising Accomodatian, Sole Suppliers, Emergencies, Breakdows, Strip and Quotes
All the deviations were ratified by the Municipal Manager and reported to Council

	Less than R 30 000	Between R 30 001 R 200 000	Between R200001 and R 2 000 000	More than R 2 000 000
CORPORATE SERVICES	97 503	-	-	
INFRASTRUCTURE	319 605	865 253	662 723	
FINANCIAL SERVICES	125 443	237 670	943 732	
COMMUNITY SERVICES	89 474	911 514	-	
MUNICIPAL MANAGER	104 225	1 359 681	4 893 702	
MAYORS OFFICE	46 843	1 180 178	-	
STRATEGIG SERVICES	72 949	546 321	-	
ELECTRIC SERVICES	69 370	164 365	-	
	925 411	**5 264 983**	**6 500 156**	**-**

44.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy

Company	Name	Capacity	Relation	Accumulated Amount R
E&P Enterprise	E.Marais	Secretary CFO	Father	31 341
Victory Ticket 887	T. Ngolo	Director Admin	Son	38 067
Pikas Tours	J. Pika	Sport Dev Officer	Brother	10 500
Phelo Construction	S. Lose	Exec Mayor's Off	Brother	25 152
Siziala Construction	A. Gova	Mechanic	Brother	100 910

		2012 R	2011 R
45	**CAPITAL COMMITMENTS**		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	**2 867 910**	**10 716 995**
	Total commitments consist out of the following:		
	New Horizon precincts-supply of cycle path	1 567 775	
	Electrification of 330 informal houses	1 300 135	
	This expenditure will be financed from:		
	Governmen Grants and Subsidies	2 867 910	7 531 846
	External Loans	-	2 084 671
	Own Funds	-	1 100 478
		2 867 910	**10 716 995**

		2012 R	2011 R
46	**FINANCIAL RISK MANAGEMENT**		

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(1 184 868)	(1 476 041)
0.5% Decrease in interest rates	592 434	738 021

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	142.03%	**7 139 061**	155.58%	**7 429 714**
Exchange Receivables				
Electricity	26.68%	1 010 207	11.06%	345 909
Water	33.05%	3 282 288	25.78%	1 790 461
Refuse	18.57%	1 556 355	14.30%	816 497
Sewerage	40.37%	4 715 416	29.66%	2 453 337
Other	160.87%	3 936 420	121.50%	2 418 571
Housing Rentals		129 151		52 676
	40.10%	**14 629 837**	30.05%	**7 877 451**

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	100.00%	**5 026 577**	100.00%	**4 775 365**
Exchange Receivables				
Electricity	10.38%	3 785 920	11.92%	3 126 229
Water	27.22%	9 930 990	26.49%	6 945 195
Refuse	22.97%	8 382 927	21.78%	5 710 598
Sewerage	32.01%	11 679 237	31.55%	8 272 227
Other	6.71%	2 447 010	7.59%	1 990 652
Housing Rentals	0.72%	261 752	0.66%	173 308
	100.00%	**36 487 836**	100%	**26 218 209**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 4275037 is held as security for a loan raised with ABSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE . The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows		
Receivables from exchange transactions	31 290 858	25 154 466
Receivables from non-exchange transactions	12 972 726	11 576 049
Cash and Cash Equivalents	28 470 926	16 683 612
Unpaid conditional grants and subsidies	280 000	-
	73 014 510	**53 414 127**

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2012	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	22 023 825	83 157 475	78 993 463	33 458 461
Capital repayments	8 561 831	39 318 477	49 989 162	24 701 107
Interest	13 461 994	43 838 998	29 004 301	8 757 354
Trade and Other Payables	15 682 824	-	-	-
Unspent conditional government grants and receipts	40 914 812	-	-	-
	78 621 461	**83 157 475**	**78 993 463**	**33 458 461**

2011	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	18 285 305	64 993 213	60 690 940	43 036 657
Capital repayments	7 443 040	29 492 607	35 360 891	30 214 358
Interest	10 842 265	35 500 606	25 330 049	12 822 299
Trade and Other Payables	54 009 875	-	-	-
Unspent conditional government grants and receipts	33 980 814	-	-	-
Cash and Cash Equivalents				
	106 275 994	**64 993 213**	**60 690 940**	**43 036 657**

		2012 R	2011 R
47	**FINANCIAL INSTRUMENTS**		

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected bellow.

47.1	**Financial Assets**	**Classification**		
	Long-Term Receivables			
	House Loans	Financial instruments at amortised cost	211 686	290 794
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	31 290 858	25 154 466
	Receivables from non- exchange transactions	Financial instruments at amortised cost	12 972 726	11 576 049
	Current Portion of Long-Term Receivables			
	Housing Loans		77 680	75 307
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	26 895 096	10 191 098
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	1 564 610	6 481 294
	Cash Floats and Advances	Financial instruments at amortised cost	11 220	11 220
	Investments	Financial instruments at amortised cost	4 275 037	3 971 733
			77 298 914	**57 751 961**

SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		77 298 914	57 751 961
At amortised cost		**77 298 914**	**57 751 961**

FINANCIAL INSTRUMENTS (CONTINUE)

47.2	**Financial Liability**	**Classification**		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	114 008 747	93 950 573
	Capitalised Lease Liability	Financial instruments at amortised cost	185 987	803 860
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	12 856 553	46 499 503
	Deposits	Financial instruments at amortised cost	-	5 019 402
	Other	Financial instruments at amortised cost	2 826 271	2 490 970
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	8 561 831	6 722 942
	Capitalised Lease Liability	Financial instruments at amortised cost	882 165	1 128 347
			139 321 553	**156 615 597**

SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		**139 321 553**	**156 615 597**

48 EVENTS AFTER THE REPORTING DATE

A CFO was appointed in terms of section 56 of the MFMA , and will commence with duty as from 3 Septeml 2012.Council is also in the proses to appoint a Municipal Manager, and it is anticipated that the process will be finalised at the end of October 2012.

49 IN-KIND DONATIONS AND ASSISTANCE

None

50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

51 CONTINGENT LIABILITY

51.1 Litigation High Court, Cape Town: Case number ;13535/2011

A claim for payment of the attorney and client fees as well as cost of a consultant will be payable as ruled in the courts judgement. The account was opposed by council and referred for taxation The estimated cost which might arise in relation to this matter, amounts to approximately R40000

51.2 Litigation Labour Court/Kenny Leluma

The respondent statement of defence in this matter was filed in which he claims certain payments due to him. A request for reconciliation in this matter was filed by the respondent in an attempt to settle this issue The estimate financial exposure in this case ,should it be successfully settled, amounted to R70000

51.3 Wavelengths

The claim for R28 million for a land sale which was cancelled , and litigated by the respondent, was successfully opposed by council Although the judgement of the High Court ruled in favour of council, the respondent filed an appeal. It seems very unlikely that the respondent will be successful with the appeal However , apart from this case, council is still liable to repay the R28 million to the Western Cape Government an this amoun is reflected as unspent government grants and subsidies in note 25.6

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements

52.3 Related party transactions

	Rates and Services Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Councillors		
Councillor M Booysen	**2 171**	**626**
Councillor A. B. van Rhyner	**1 856**	**154**
Councillor C.L. Dreyer	**109 532**	**8 742**
Councillor A.R. Olivier	**2 580**	**212**
Councillor E.E Paulse	**3 336**	**154**
Counicilor N M De Waal	**2 110**	**154**
Councillor S E Gcabayi	**5 883**	**8 062**
Councillor L Jonas		**11 467**
Councillor M M Mbali	**2 477**	**454**
Alderman LL Mvimbi	**12 587**	**1 508**
Councillor A R Olivier	**2 580**	**212**
Councillor L M Seyisi	**-**	**-**
Councillor JJN Stuurman	**2 882**	**5 517**
Councillor SE Gcabayi	**5 883**	**8 062**
Councillor JWG Brummer	**-**	**-**

52.4 Other related party transactions

Refer to note 44.8 for other related party transactions

BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		**461 885 683**	**439 007 080**
Capital Replacement Reserve	**2**	-	300 001
Housing Development fund	**2**	-	1 041 622
Accumulated Surplus/(Deficit)		461 885 683	437 665 457
Non-Current Liabilities		**171 117 609**	**142 256 810**
Long-term Liabilities	**3**	114 194 733	94 754 432
Employee benefits	**4**	49 740 716	40 667 623
Non-Current Provisions	**5**	7 182 160	6 834 755
Current Liabilities		**96 425 984**	**123 117 862**
Consumer Deposits	**6**	4 476 945	4 281 691
Current Employee benefits	**7**	14 392 894	14 516 810
Payables from exchange transactions	**9**	20 683 487	58 952 152
Unspent Conditional Government Grants and Receipts	**10**	40 914 812	33 980 814
Unspent Public Contributions	**11**	3 646 550	2 982 630
Taxes	**12**	2 345 377	-
Operating Lease Liability	**22**	521 923	552 476
Current Portion of Long-term Liabilities	**3**	9 443 996	7 851 289
Total Net Assets and Liabilities		**729 429 277**	**704 381 752**
ASSETS			
Non-Current Assets		**654 425 837**	**638 232 448**
Property, Plant and Equipment	**13**	543 499 599	527 260 077
Investment Property	**14**	97 254 277	97 422 384
Intangible Assets	**15**	9 185 237	9 287 460
Non-Current Investments	**17**	4 275 037	3 971 733
Long-Term Receivables	**18**	211 686	290 794
Current Assets		**75 003 440**	**66 149 304**
Inventory	**19**	1 908 362	2 180 046
Non Current Assets Held for sale	**16**	-	37 500
Receivables from exchange transactions	**20**	31 290 858	25 154 466
Receivables from non-exchange transactions	**21**	12 972 726	11 576 049
Unpaid Conditional Government Grants and Receipts	**10**	280 000	-
Operating Lease Asset	**22**	2 887	4 117
Taxes	**12**	-	10 438 207
Current Portion of Long-term Recievables	**18**	77 680	75 307
Cash and Cash Equivalents	**23**	28 470 926	16 683 612
Total Assets		**729 429 277**	**704 381 752**

BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	2010 (Previously reported) R
REVENUE				
Revenue from Non-exchange Transactions		**136 781 553**	**182 438 136**	**181 390 129**
Taxation Revenue		**69 812 089**	**65 414 837**	**64 366 830**
Property taxes	**24**	69 812 089	65 414 837	64 366 830
Transfer Revenue		**61 825 808**	**111 243 179**	**111 243 179**
Government Grants and Subsidies-capital	**25**	26 696 693	61 215 142	61 215 142
Government Grants and Subsidies	**25**	32 113 444	46 391 679	46 391 679
Public Contributions and Donations		3 015 671	3 636 357	3 636 357
Other Revenue		**5 143 656**	**5 780 121**	**5 780 121**
Third Party Payments		-	54 988	54 988
Fines		5 143 656	5 725 133	5 725 133
Revenue from Exchange Transactions		**170 408 289**	**149 446 230**	**146 991 990**
Service Charges	**27**	160 141 637	139 480 025	137 025 785
Rental of Facilities and Equipment		763 295	900 588	900 588
Interest Earned - external investments		1 464 749	1 183 619	1 183 619
Interest Earned - outstanding debtors		3 161 664	2 779 932	2 779 932
Agency Services		760 645	-	-
Other Income	**28**	3 630 946	5 040 831	5 040 831
Licences and Permits		94 461	61 235	61 235
Gain on disposal of Property, Plant and Equipment		390 893	-	-
Total Revenue		**307 189 842**	**331 884 366**	**328 382 119**
EXPENDITURE				
Employee related costs	**29**	100 446 874	102 158 196	102 158 196
Remuneration of Councillors	**30**	3 735 333	2 992 823	2 992 823
Debt Impairment	**31**	10 467 713	12 124 452	12 124 452
Collection Cost		995 711	1 226 434	1 226 434
Depreciation and Amortisation	**32**	18 966 538	16 542 515	16 541 420
Inventory Impairments		-	89 072	89 072
Impairments	**33**	748 512	176 992	176 992
Stock written-off		61 709	-	-
Repairs and Maintenance		10 240 307	14 792 999	14 792 999
Actuarial losses	**4**	3 408 644	5 967 722	5 967 722
Finance Charges	**34**	12 635 907	10 495 871	10 495 871
Bulk Purchases	**35**	56 600 095	50 581 992	50 581 992
Contracted services		10 998 681	8 472 288	8 472 288
Operating Grant Expenditure		10 998 745	27 980 900	27 980 900
General Expenses	**36**	43 981 969	49 371 031	49 371 031
Loss on Disposal of PPE		24 500	734 365	734 365
Total Expenditure		**284 311 240**	**303 707 654**	**303 706 558**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**22 878 603**	**28 176 713**	**24 675 561**

BITOU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R		R	R
2010				
Balance at 1 JULY 2010	**1 041 622**	**1 060 218**	**406 037 365**	**408 139 205**
Correction of error	-		2 691 163	2 691 163
2011				
Restated Balance at 1 JULY 2010	**1 041 622**	**1 060 218**	**408 728 528**	**410 830 368**
Net Surplus for the year	-		28 176 713	28 176 713
Property Plant and Equipment purchased		(21 294 022)	21 294 022	
Transfer to CRR		20 533 805	(20 533 805)	
Restated Balance at 30 JUNE 2010	**1 041 622**	**300 001**	**437 665 457**	**439 007 080**
2012				
Net Surplus for the year	-		22 878 603	22 878 603
Transfer from CRR -(Fund closed)		(300 001)	300 001	-
Transfer from Housing Development Fund (Fund closed)	(1 041 622)		1 041 622	
Balance at 30 JUNE 2011	**-**	**-**	**461 885 683**	**461 885 683**

BITOU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		245 143 914	224 058 578
Government - operating		32 113 444	46 391 679
Government - capital		26 696 693	61 215 142
Interest		4 626 413	3 963 551
Payments			
Suppliers and employees		(269 474 693)	(236 268 014)
Finance charges	**34**	(12 635 907)	(10 495 871)
Cash generated by operations	**38**	**26 469 864**	**88 865 066**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**13**	(35 221 460)	(102 749 556)
Purchase of Intangible Assets		(462 783)	(1 471 883)
Proceeds on Disposal of Fixed Assets			2 814 639
Decrease in non-current receivables		76 734	87 720
Increase in non-current Investments		(303 304)	(302 476)
Net Cash from Investing Activities		**(35 910 813)**	**(101 621 557)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(9 297 184)	(6 582 075)
New loans raised		30 330 191	19 084 299
Increase in Consumer Deposits		195 254	333 811
Net Cash from Financing Activities		**21 228 262**	**12 836 035**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11 787 313**	**79 543**
Cash and Cash Equivalents at the beginning of the year		16 683 613	16 604 070
Cash and Cash Equivalents at the end of the year	**39**	28 470 926	16 683 613
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11 787 313**	**79 543**

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the

financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6 PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality: **Standard**	**Description**	**Effective Date**
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does not participate in such business transactions.	**1 April 2013**

GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 24 **(Original – Nov 2007)**	**Presentation of Budget Information in Financial Statements** This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.	**1 April 2012**
GRAP 103 **(Original – July 2008)**	**Heritage Assets** The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	**1 April 2012**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish	**Unknown**

	accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/

(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized. The CRR was closed at year end as it was not relevant any more.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. Operational deficits are also allowed to be transferred. This fund was closed on year end.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the

sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and

- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees . Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The

contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(h) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the

manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is

available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Electricity Assets

Class	Asset Type	Expected Useful Life
High Voltage	HV Overhead Line	50
High Voltage	HV Substation Battery	10
High Voltage	HV Substation Electrical Plant	50
High Voltage	HV Substation Yard Stone	15
High Voltage	HV Underground Cable	50
Medium Voltage	Ground Mounted Transformer	50
Medium Voltage	Mini Sub-Station	50
Medium Voltage	MV Overhead Line	50
Medium Voltage	MV Substation Battery	10
Medium Voltage	MV Substation_MV Switchgear	50
Medium Voltage	MV Underground Cable	50
Medium Voltage	Pole Mounted Transformer	50
Medium Voltage	Ring Main Unit	50
Low Voltage	LV Conductor Network	50
Low Voltage	Streetlight	50
Low Voltage	LV Consumer Connection	50

Water Assets

Class	Asset Type	Expected Useful Life
Borehole	Civil Structure	50
Borehole	Electrical Plant	15
Borehole	Telemetry	30
Borehole	Mechanical Plant	15
Dam	Civil Structure	100
Spring Protection	Civil Structure	50
Bulk Water Channel	Concrete	50
Bulk Water Pipeline	AC	60
Bulk Water Pipeline	FC	60
Bulk Water Pipeline	GRP	100
Bulk Water Pipeline	HDPE	100
Bulk Water Pipeline	PVC	60

Bulk Water Pipeline	Steel	100
Bulk Water Pipeline	uPVC	100
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Reservoir	Civil Structure	50
Reservoir	Electrical Plant	15
Reservoir	Telemetry	30
Reticulation Pipeline	AC	60
Reticulation Pipeline	CI	100
Reticulation Pipeline	Clay	60
Reticulation Pipeline	FC	60
Reticulation Pipeline	HDPE	100
Reticulation Pipeline	PVC	60
Reticulation Pipeline	Steel	100
Reticulation Pipeline	uPVC	100
Water Treatment Works	Civil Structure	50
Water Treatment Works	Mechanical Plant	15
Water Treatment Works	Electrical Plant	15
Water Treatment Works	Telemetry	30

Sanitation Assets

Class	Asset Type	Expected Useful Life
Bulk Sewer Pipeline	AC	60
Bulk Sewer Pipeline	CI	100
Bulk Sewer Pipeline	Concrete	60
Bulk Sewer Pipeline	GRP	60
Bulk Sewer Pipeline	HDPE	60
Bulk Sewer Pipeline	PF	60
Bulk Sewer Pipeline	PVC	60
Bulk Sewer Pipeline	SG	60
Bulk Sewer Pipeline	uPVC	60
Bulk Sewer Pipeline	Weholite	60
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Sewage Treatment Works	Civil Structure	50
Sewage Treatment Works	Mechanical Plant	15
Sewage Treatment Works	Electrical Plant	15
Sewage Treatment Works	Telemetry	30
Sewer Reticulation Pipeline	AC	60
Sewer Reticulation Pipeline	CI	100
Sewer Reticulation Pipeline	Concrete	60

Sewer Reticulation Pipeline	GRP	60
Sewer Reticulation Pipeline	HDPE	60
Sewer Reticulation Pipeline	PF	60
Sewer Reticulation Pipeline	PVC	60
Sewer Reticulation Pipeline	SG	60
Sewer Reticulation Pipeline	Steel	60
Sewer Reticulation Pipeline	uPVC	60
Sewer Reticulation Pipeline	Vitreous Clay	60
Sewer Reticulation Pipeline	Weholite	60

Road Transport Assets

Class	Asset Type	Expected Useful Life
Overhead Gantry	Overhead Gantry	100
Parking Area	Surfacing Asphalt	50
Road Asphalt	UA_Surfacing	15
Road Asphalt	UA Base	30
Road Asphalt	UA_Structure	100
Road Asphalt	UB_Surfacing	15
Road Asphalt	UB Base	30
Road Asphalt	UB_Structure	100
Road Asphalt	UC_Surfacing	20
Road Asphalt	UC Base	40
Road Asphalt	UC_Structure	100
Road Asphalt	UD_Surfacing	25
Road Asphalt	UD Base	50
Road Asphalt	UD_Structure	100
Road Unpaved	Surface	7
Road Unpaved	Structure	25
Signalized Intersection	Signalized Intersection	15
Guardrail	Guardrail	15
Bridge	Bridge	100
Retaining Wall	Retaining Wall	100
Taxi Rank	Commuter Shelter	15
Taxi Rank	Surfacing Asphalt	15
Footpath	Footpath	30

Storm Water Assets

Class	Asset Type	Expected Useful Life
Attenuation Pond	Attenuation Pond	25
Covered Channel	Lined Channel	50
Culvert	Major Culvert	50
Culvert	Minor Culvert	20
Erosion Protection	Erosion Protection	20

Open Channel	Lined Channel	50
Open Channel	Unlined Channel	10
Reticulation Pipeline	Concrete	50

Solid Waste Assets

Class	Asset Type	Expected Useful Life
Containers	Containers	20
Landfill	Leachate System	50
Landfill	Weighbridge	50
Landfill	Earth Embankment	25
Landfill	Pump Station Electrical Plant	15
Landfill	Pump Station Civil Structure	50
Landfill	Leachate System	50
Landfill	Pump Station Telemetry	30
Landfill	Pump Station Mechanical Plant	15
Transfer Stations	Building	30
Transfer Stations	Civil Structure	8
Transfer Stations	Mechanical Plant	15

Other Assets

Class	Expected Useful life (EUL)
Buildings	30
Specialist vehicles	10-20
Other vehicles	3-6
Office equipment	5-10
Furniture and fittings	5-10
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	5-15
Other plant and Equipment	2-5
Quarries	25
Emergency equipment	5-15
Computer equipment	5

Community Assets

Class	Expected Useful life (EUL)
Buildings	30
Recreational Facilities	15-20
Security	3-5
Halls	30
Libraries	30
Parks and gardens	15-20
Other assets	10-30

Lease Assets

Class	Expected Useful life (EUL)
Office equipment	3-5
Other assets	5-6

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	**Years**
Buildings	30

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its

recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.2 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.3 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Or

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Or

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently

reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under- Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Postretirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of

the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental

engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The units sold in June, more than the average pre-paid electricity sold per month for the period July to May, is use as a basis during the year under review as an estimate in calculating the unused units.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value	Cost								Accumulated Depreciation and Impairment Losses							Carrying Value
	Opening Balance R	Corrections	Restated Opening Balances	Additions R	Under Construction	Disposals R	Impairments	Closing Balance R	Opening Balance R	Corrections	Restated Opening Balances	Additions R	Impairments R	Disposals	Closing Balance R	R
Land and Buildings	**184 411 500**		**184 411 500**	**-**		**-**		**184 411 500**	**22 903 948**		**22 903 948**	**1 426 469**	**-**		**24 330 417**	**160 081 083**
Land	144 864 920		144 864 920	-		-		144 864 920	-		-		-		-	144 864 920
Buildings	39 546 580		39 546 580					39 546 580	22 903 948		22 903 948	1 426 469			24 330 417	15 216 163
Infrastructure	**443 937 957**	**2 550 404**	**446 488 361**	**6 512 830**	**13 808 056**	**-**	**(1 410 834)**	**465 398 413**	**117 230 458**	**1 096**	**117 231 554**	**11 497 903**	**-692 080**		**128 037 377**	**337 361 037**
Roads	122 213 509	1 882 959	124 096 468	3 331 033		-	(1 410 834)	126 016 667	37 609 382		37 609 382	3 137 926	-692 080		40 055 228	85 961 439
Sewerage Mains and Purification	76 019 386	176 263	76 195 649	1 030 597	7 000 000			84 226 246	25 429 817	1 096	25 430 913	2 028 350			27 459 263	56 766 984
Electricty Mains	45 406 995	281 798	45 688 793	2 114 382				47 803 175	7 520 288		7 520 288	972 073			8 492 361	39 310 814
Electricity Peak Load Equipment	27 252 449		27 252 449	25 000				27 277 449	3 076 492		3 076 492	684 981			3 761 473	23 515 976
Water Mains and Purification	43 608 775	5 833	43 614 608					43 614 608	7 672 562		7 672 562	1 659 355			9 331 916	34 282 692
Reserviors- Water	24 311 403	5 833	24 317 237		1 630 731			25 947 968	7 010 971		7 010 971	669 195			7 680 166	18 267 802
Water Mains	101 818 670	197 718	102 016 388	11 817	4 987 034			107 015 240	25 734 625		25 734 625	2 320 023			28 054 648	78 960 591
Landfill Sites	3 306 770		3 306 770		190 291			3 497 061	3 176 321		3 176 321	25 999			3 202 321	294 740
Community Assets	**31 484 438**	**517 912**	**32 002 350**	**10 755 699**		**-**		**42 758 050**	**10 004 618**		**10 004 618**	**995 457**	**-**		**11 000 075**	**31 757 974**
Parks and Gardens	6 242 662		6 242 662			-		6 242 662	2 453 618		2 453 618	342 352			2 795 970	3 446 692
Libraries	6 586 973		6 586 973	10 755 699				17 342 673	119 401		119 401	57 582			176 983	17 165 689
Recreation Grounds	16 013 568	517 912	16 531 480					16 531 480	5 358 827		5 358 827	512 085			5 870 912	10 660 567
Other Buildings	2 641 235		2 641 235	-		-		2 641 235	2 072 772		2 072 772	83 438			2 156 210	485 025
Lease Assets	**3 421 453**		**3 421 453**	**330 191**		**-**		**3 751 644**	**1 431 085**		**1 431 085**	**1 043 823**	**-**		**2 474 907**	**1 276 737**
Office Equipment	3 421 453		3 421 453	330 191				3 751 644	1 431 085		1 431 085	1 043 823			2 474 907	1 276 737
Heritage Assets	**-**			**-**		-		**-**	**-**			**-**	**-**		**-**	**-**
Buildings	-		-			-		-	-				-		-	-
Other Assets	**26 778 765**		**26 778 765**	**3 814 683**	**-**	**-**	**(134 679)**	**30 458 770**	**14 271 145**		**14 271 145**	**3 269 773**	**-104 920**		**17 435 998**	**13 022 773**
Office Equipment	4 667 105		4 667 105				(21 234)	4 645 871	1 674 339		1 674 339	876 468	-14 506		2 536 301	2 109 569
Furniture & Fittings	4 402 972		4 402 972	747 800				5 150 772	2 230 448		2 230 448	631 517			2 861 965	2 288 807
Bins and Containers	-		-					-	-		-				-	-
Emergency Equipment	253 474		253 474					253 474	100 734		100 734	46 593			147 327	106 147
Motor vehicles	10 163 667		10 163 667	132 895				10 296 561	6 706 960		6 706 960	955 322			7 662 281	2 634 280
Fire Engines	3 309 615		3 309 615	723 072				4 032 687	1 074 307		1 074 307	193 516			1 267 823	2 764 864
Refuse Tankers	1 240 488		1 240 488					1 240 488	1 000 697		1 000 697	57 871			1 058 568	181 920
Computer Equipment	2 741 445		2 741 445	2 210 917			(113 444)	4 838 918	1 483 660		1 483 660	508 487	-90 414		1 901 732	2 937 185
								-	-						-	-
	690 034 114	**3 068 316**	**693 102 430**	**21 413 404**	**13 808 056**	**-**	**(1 545 513)**	**726 778 378**	**165 841 254**	**1 096**	**165 842 350**	**18 233 425**	**-797 000**		**183 278 774**	**543 499 599**

30 JUNE 2011

Reconciliation of Carrying Value	**Cost**								**Accumulated Depreciation and Impairment Losses**							**Carrying Value**
	Opening Balance R	**Corrections**	**Restated Opening Balances**	**Additions R**	**Under Construction**	**Disposals R**	**Impairments**	**Closing Balance R**	**Opening Balance R**	**Corrections**	**Restated Opening Balances**	**Additions R**	**Disposals R**	**Impairments**	**Closing Balance R**	**R**
Land and Buildings	**166 995 292**	**-**	**166 995 292**	**13 649 786**	**3 999 501**	**-**	**233 080**	**184 411 499**	**21 654 128**	**-**	**21 654 128**	**1 411 585**	**-**	**161 765**	**22 903 948**	**161 507 551**
Land	129 885 884		129 885 884	11 031 668	3 947 368	-		144 864 920			-		-		-	144 864 920
Buildings	37 109 408		37 109 408	2 618 118	52 133		233 080	39 546 579	21 654 128		21 654 128	1 411 585		161 765	22 903 948	16 642 631
Infrastructure	**374 804 713**	**-**	**374 804 713**	**56 079 370**	**17 931 909**	**8 289**	**10 243**	**448 797 460**	**107 896 843**	**-**	**107 896 843**	**9 334 662**	**1 051**		**117 230 454**	**331 567 007**
Roads	110 460 385		110 460 385	6 412 614	12 373 284	8 289		129 237 994	34 892 352		34 892 352	2 724 635	1 051		37 615 936	91 622 058
Sewerage Mains and Purification	81 652 092		81 652 092	6 765 117				88 417 209	23 429 353		23 429 353	1 997 959			25 427 312	62 989 897
Electricty Mains	32 535 013		32 535 013	10 282 731	470 517			43 288 261	6 774 225		6 774 225	746 063			7 520 288	35 767 973
Electricity Peak Load Equipment	23 825 672		23 825 672	3 185 846	240 930			27 252 448	2 477 145		2 477 145	599 447			3 076 592	24 175 856
Water Mains and Purification	14 854 872		14 854 872	16 309 833				31 164 705	7 164 654		7 164 654	501 987			7 666 641	23 498 064
Reserviors- Water	20 621 587		20 621 587	2 164 199	1 083 478			23 869 264	6 573 712		6 573 712	437 259			7 010 971	16 858 294
Water Mains	87 538 079		87 538 079	10 959 030	3 763 700			102 260 809	23 563 326		23 563 326	2 173 067			25 736 393	76 524 416
Landfill Sites	3 317 013		3 317 013				10 243	3 306 770	3 022 076		3 022 076	154 245			3 176 321	130 449
Community Assets	**20 330 412**	**-**	**20 330 412**	**5 645 526**	**778 806**	**-**	**129 811**	**26 624 933**	**9 229 545**	**-**	**9 229 545**	**825 747**	**-**	**50 675**	**10 004 617**	**16 620 317**
Parks and Gardens	5 262 107		5 262 107	980 555				6 242 662	2 148 102		2 148 102	305 516	-		2 453 618	3 789 045
Libraries	1 857 279		1 857 279				129 811	1 727 468	109 610		109 610	60 466		50 675	119 401	1 608 067
Recreation Grounds	10 569 791		10 569 791	4 664 971	778 806			16 013 568	4 985 969		4 985 969	372 858			5 358 827	10 654 741
Other Buildings	2 641 235		2 641 235					2 641 235	1 985 864		1 985 864	86 907	-		2 072 771	568 464
Lease Assets	**917 154**		**917 154**	**2 504 299**		**-**		**3 421 453**	**359 081**		**359 081**	**1 108 435**	**-**		**1 467 516**	**1 953 938**
Office Equipment and Vehicles	917 154		917 154	2 504 299				3 421 453	359 081		359 081	1 108 435	-		1 467 516	1 953 937
Heritage Assets	**-**		**-**	**-**		**-**		**-**	**-**		**-**	**-**	**-**		**-**	**-**
Buildings			-					-					-		-	-
Other Assets	**29 969 392**	**-**	**29 969 392**	**1 265 622**	**894 737**	**5 274 295**	**76 700**	**26 778 756**	**12 860 409**	**-**	**12 860 409**	**3 129 735**	**1 695 029**	**60 401**	**14 234 714**	**12 544 044**
Office Equipment	7 632 768		7 632 768	910 910		3 876 582		4 667 096	1 211 991		1 211 991	802 146	376 229		1 637 908	3 029 188
Furniture & Fittings	3 320 961		3 320 961	121 097		38 622		3 403 436	1 021 298		1 021 298	499 191	12 067		1 508 422	1 895 014
Bins and Containers	15 636		15 636			15 636		-	15 636		15 636		15 636		-	-
Emergency Equipment	187 521		187 521	68 336		2 383		253 474	58 255		58 255	43 060	581		100 734	152 740
Motor vehicles	12 186 396		12 186 396			946 494	76 700	11 163 202	7 337 925		7 337 925	1 097 956	946 494	60 401	7 428 986	3 734 217
Fire Engines	2 789 878		2 789 878		894 737	375 000		3 309 615	1 262 528		1 262 528	149 279	337 500		1 074 307	2 235 308
Refuse Tankers	1 240 488		1 240 488					1 240 488	942 826		942 826	57 871			1 000 697	239 791
Computer Equipment	2 595 744		2 595 744	165 279		19 578		2 741 445	1 009 950		1 009 950	480 232	6 522		1 483 660	1 257 785
	593 016 963	**-**	**593 016 963**	**79 144 603**	**23 604 953**	**5 282 584**	**449 834**	**690 034 101**	**152 000 006**	**-**	**152 000 006**	**15 810 164**	**1 696 080**	**272 841**	**165 841 249**	**524 192 857**

APPENDIX A - Unaudited
BITOU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Redeemed/ written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS									
Development Bank	10.95%		2019/12/31	3 144 357		3 144 357		370 000	2 774 357
Development Bank	11.24%		2020/12/31	3 735 483		3 735 483		393 684	3 341 799
Development Bank	16.00%		2022/12/31	9 476 000		9 476 000		824 000	8 652 000
Development Bank	9.14%		2017/06/30	10 537 369		10 537 369		1 385 983	9 151 386
Development Bank	10.64%		2029/06/30	26 107 296		26 107 296		487 271	25 620 025
Development Bank	10.72%		2024/06/30	2 634 894		2 634 894		96 159	2 538 735
Development Bank	10.42%		2014/06/30	2 646 722		2 646 722		790 433	1 856 289
Standard Bank	10.56%		2020/06/30	2 761 199	(17 625)	2 743 574		187 312	2 556 261
Standard Bank	11.45%		2025/06/30	19 633 396	583 621	20 217 017		629 722	19 587 295
Standard Bank	11.45%		2020/06/30	471 172	(471 172)	-		-	-
First National Bank	10.45%		2015/06/30	2 850 802		2 850 802		606 371	2 244 431
Standard Bank	11.26%		2021/06/30	16 580 000		16 580 000		971 471	15 608 529
Standard Bank	10.71%		2021/12/31				15 000 000	427 202	14 572 798
Standard Bank	10.86%		2021/06/31				15 000 000	933 328	14 066 672
Total Annuity Loans				100 578 688	**94 825**	100 673 513	**30 000 000**	**8 102 937**	**122 570 576**
LEASE LIABILITY									
Finance Leases				1 932 207		1 932 207	330 191	1 194 246	1 068 152
Total Lease Liabilities				**1 932 207**	**-**	**1 932 207**	**330 191**	**1 194 246**	**1 068 152**
TOTAL EXTERNAL LOANS				**102 510 895**	**94 825**	**102 605 720**	**30 330 191**	**9 297 184**	**123 638 728**

APPENDIX B - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
-	(6 515 748)	(6 515 748)	Office of the Mayor	-	(7 439 466)	(7 439 466)
75 000	(4 358 992)	(4 283 992)	Special Programmes Mayor's Office	49 652	(980 670)	(931 017)
20 464 621	(34 219 452)	(13 754 831)	Council General Expense	21 951 627	(27 132 845)	(5 181 218)
-	(3 031 909)	(3 031 909)	Municipal Manager	-	(2 132 992)	(2 132 992)
-	(860 397)	(860 397)	Internal Audit	-	(1 127 724)	(1 127 724)
-	(4 986 185)	(4 986 185)	Legal Services	-	(4 694 293)	(4 694 293)
-	(3 776 260)	(3 776 260)	Tourism & Marketing	-	(2 640 636)	(2 640 636)
-	(4 274 620)	(4 274 620)	Community Services	-	(3 374 686)	(3 374 686)
34 625 352	(31 146 932)	3 478 420	Housing Services	13 272 637	(13 184 791)	87 846
237 409	(5 879 919)	(5 642 511)	Beaches	471 024	(5 094 465)	(4 623 441)
364 375	(3 189 543)	(2 825 168)	Library Services	2 478 299	(4 070 250)	(1 591 951)
90 350	(5 182 273)	(5 091 923)	Fire Fighting	90 508	(5 161 281)	(5 070 772)
6 442 707	(12 300 092)	(5 857 385)	Traffic Control	5 904 871	(9 765 698)	(3 860 827)
-	-	-	Law Enforcement	-	(2 597 583)	(2 597 583)
-	(8 416 991)	(8 416 991)	Parks and Recreation	1 445 458	(9 182 486)	(7 737 028)
34 168	(378 576)	(344 408)	Cemetries	21 666	(222 711)	(201 045)
-	(319 240)	(319 240)	Simunye Multi-purpose Centre	-	(216 661)	(216 661)
25 887	(6 762 612)	(6 736 725)	Corporate Services	19 236	(5 916 897)	(5 897 661)
212 773	(2 364 107)	(2 151 334)	Human Resources	382 095	(2 631 067)	(2 248 972)
189 157	(1 693 898)	(1 504 741)	Aerodrome	189 267	(1 157 145)	(967 878)
2 752 243	(13 564 569)	(10 812 326)	Finance & Admin	1 262 670	(11 913 540)	(10 650 870)
64 366 830	(747 499)	63 619 331	Property Rates	69 812 089	(3 335 584)	66 476 505
-	(923 232)	(923 232)	Meter Reading	-	(931 900)	(931 900)
189 595	(1 814 370)	(1 624 775)	Stores/Supply Chain	32 779	(2 008 192)	(1 975 413)
-	(7 568 412)	(7 568 412)	IT Systems Management	-	(5 461 828)	(5 461 828)
-	(326 933)	(326 933)	Computer room	-	(317 821)	(317 821)
-	(30 472)	(30 472)	Clinics	-	(17 515)	(17 515)
1 399 732	(1 461 333)	(61 601)	Building Control	1 028 986	(1 458 887)	(429 901)
405 820	(3 967 257)	(3 561 437)	Municipal Buildings & land	498 917	(4 554 425)	(4 055 508)
160 395	(2 479 200)	(2 318 805)	IDP	-	(2 441 291)	(2 441 291)
92 866	(1 883 432)	(1 790 566)	Town Planning	124 417	(2 059 836)	(1 935 419)
10 709 059	(2 027 805)	8 681 254	Director Strategic Service	14 060 088	(1 415 254)	12 644 834
-	(2 323 154)	(2 323 154)	Public Works	-	(2 008 698)	(2 008 698)
-	(1 659 643)	(1 659 643)	Directorate Public Works	-	(1 448 434)	(1 448 434)
-	(12 852 169)	(12 852 169)	Roads and Stormwater	-	(12 823 114)	(12 823 114)
-	-	-	Proclaimed Main Roads	301 651	(701 651)	(400 000)
-	(995 185)	(995 185)	Mechanical Workshop	-	(1 363 472)	(1 363 472)
13 245 206	(13 667 309)	(422 102)	Cleansing/Refuse Removal	16 183 810	(13 377 511)	2 806 299
26 373 615	(11 594 388)	14 779 226	Sewerage Services	29 327 280	(17 746 000)	11 581 280

86 823 693	(65 454 938)	21 368 755	Electricity Services	91 501 613	(71 720 190)	19 781 422
62 603 515	(18 708 610)	43 894 904	Water Services	38 253 413	(12 816 619)	25 436 794
-	-	-	Water Purification	-	(7 139 342)	(7 139 342)
331 884 366	(303 707 653)	28 176 713	Sub Total	308 664 052	(285 785 450)	22 878 603
-	-	-		-	-	-
331 884 366	(303 707 653)	28 176 713	**Total**	308 664 052	(285 785 450)	22 878 603

APPENDIX C - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
20 539 621	(53 972 683)	(33 433 062)	Executive & Council	22 001 279	(43 507 989)	(21 506 709)
67 308 668	(17 049 669)	50 258 999	Budget & Treasury	71 107 539	(18 189 216)	52 918 323
644 479	(20 989 320)	(20 344 841)	Corporate Services	900 248	(18 882 039)	(17 981 791)
12 362 052	(7 851 770)	4 510 282	Planning & Development	15 213 491	(7 375 269)	7 838 222
-	(30 472)	(30 472)	Health	-	(17 515)	(17 515)
398 543	(8 161 979)	(7 763 436)	Community & Social Services	2 499 965	(7 884 308)	(5 384 343)
34 625 352	(31 146 932)	3 478 420	Housing	13 272 637	(13 184 791)	87 846
6 533 057	(17 482 365)	(10 949 308)	Public Safety	5 995 379	(17 524 561)	(11 529 182)
237 409	(14 296 911)	(14 059 502)	Sport & Recreation	1 916 482	(14 276 951)	(12 360 469)
13 245 206	(13 667 309)	(422 102)	Waste Management	16 183 810	(13 377 511)	2 806 299
26 373 615	(11 594 388)	14 779 226	Waste Water Management	29 327 280	(17 746 000)	11 581 280
-	(17 830 150)	(17 830 150)	Road Transport	301 651	(18 345 368)	(18 043 718)
62 603 515	(18 708 611)	43 894 903	Water	38 253 413	(19 955 961)	18 297 452
86 823 693	(65 453 842)	21 369 851	Electricity	91 501 613	(71 720 190)	19 781 422
189 157	(5 471 252)	(5 282 095)	Other	189 267	(3 797 781)	(3 608 514)
331 884 366	(303 707 653)	28 176 713	**Total**	308 664 052	(285 785 450)	22 878 603

APPENDIX D - Unaudited
BITOU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	Balance 1 JULY 2011	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R
National Government Grants							
Equitable Share			0	18 978 000	18 978 000		-
MIG Grant			0	12 081 000	6 193	7 074 807	5 000 000
National Electrification Programme	242550		242550	2 000 000		281 798	1 960 752
Neighbourhood Development Partnership Gran	7531896		7531896	9 990 000		14 060 088	3 461 808
Drought Relief Grant			0				-
Financial Management Grant			0	1 250 000	1 250 000		-
Municipal Sytems Improvement Grant			0	790 000	790 000		-
Escom Demand Side Management (EDSM)			0			280 000	(280 000)
			0				-
			0				-
							-
Total National Government Grants	7774446	-	7774446	45 089 000	21 024 193	21 696 693	10 142 560
Provincial Government Grants							
Provincial Management Support Grant	164205		164205	200 000			364 205
Community Development Workers			0	52 000	39 106		12 894
Libraries			0	425 000	385 549		39 451
MMC Kurland	16818		16818				16 818
Spatial Planning	84200		84200				84 200
Revitalise Urban Areas	50000		50000				50 000
Socio Economic Upgrade Informal Settlements	50000		50000				50 000
Traffic Disaster	782		782				782
Provincial Housing Grant	25840364		25840364	16 327 134	8 293 945	5 000 000	28 873 553
Proclaimed Roads Maintenance				800 000	301 651		498 349
EPWP				502 000			502 000
Municipal Replacement Grant				2 069 000	2 069 000		-
Total Provincial Government Grants	26206369	-	26206369	20 375 134	11 089 251	5 000 000	30 492 253
District Municipality Grants							
		-	0	-		-	-
		-	0	-		-	-
Total District Municipality Grants	0	-	0	-	-	-	-
TOTAL	33980815	-	33980815	65 464 134	32 113 444	26 696 693	40 634 812
Public Grants							
Social Responsibility	136295		136295	109 378			245 673
LED Strategy (IDC)	400000		400000		194 004		205 996
Upgrade Kwano Sportfield	1000000		1000000	2 000 000			3 000 000
Alien Vegetation (Std Bank)	1446335		1446335		1 251 454		194 881

APPENDIX D - Unaudited
BITOU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Lipton				20 000	20 000		- -
Total Other Grant Providers	2982630	-	2982630	2 129 378	1 465 458	-	3 646 550
Total	**36963445**	**-**	**36963445**	**67 593 512**	**33 578 902**	**26 696 693**	**44 281 362**